

INSTRUCTIONS FOR PREPARATION OF 11A DISCLOSURE STATEMENT AND PLAN OF REORGANIZATION

A. GENERAL INSTRUCTIONS

The attached forms are recommended for use in chapter 11A disclosure statement and plans. The forms are advisory and are intended to illustrate simplicity and brevity without sacrificing adequate disclosure required under 11 U.S.C. § 1125(b). The language of the forms should be supplemented and tailored to the debtor's circumstances where necessary to avoid confusion and to provide information of a kind and in sufficient detail to enable a reasonable investor typical of the creditors in the case to make an informed judgment about the proposed plan. To avoid delay in preliminary approval of the disclosure statement or delay caused by disapproval at the final hearing, there should not be any deletion of relevant information called for by the form and the exhibits without a very good reason. **If there is a significant deletion or deviation, the debtor should provide to the court and to the U.S. Trustee a cover letter explaining the reasons for, and the extent of, the deletions, together with a marked-up copy.**

Word Perfect disks containing the disclosure statement and plan of reorganization forms appended hereto will be provided by the U.S. Trustee upon written request accompanied by a blank disk.

Specific Exhibit letter references are included in the forms for form preparer reference. However, the exhibits in the actual disclosure statement and plan should be lettered consecutively with appropriate reference in the body of the forms.

The form disclosure statement and plan of reorganization should be tailored for use in the specific case. Inapplicable provisions should be deleted. Text should be adjusted as necessary to ensure a self contained, comprehensive product.

The blanks in the forms should be replaced by the appropriate information.

Where payment terms to a creditor may vary due to uncertainties which can not be ascertained at the time that the disclosure statement and plan of reorganization are drafted, the documents must specify which provisions are mandatory and which provisions may vary. Assumptions upon which potentially variable provisions are based must be disclosed.

B. INSTRUCTIONS REGARDING DISCLOSURE STATEMENT

Many of the blanks in the disclosure statement form are self explanatory. However, the following should be noted:

Description and Treatment of Claims, Balance Sheet

This section should include an estimate of the percentage dividend to be paid to unsecured creditors and the timing of that dividend.

Description of Debtor and Its Business

This section should contain a brief narrative which describes the debtor, identifies the debtor's owners and officers (if applicable), and discusses the nature of the debtor's business.

Reasons for Debtor's Financial Distress; Actions Taken or to be Taken to Remedy Problems

This section should describe the underlying as well as immediate reasons for the debtor's financial distress. The section should detail the actions that have been or will be taken to remedy the debtor's financial problems.

Implementation of Plan and Feasibility

The language inserted in the section should consist of all of the following descriptions which are applicable. The bold language in the brackets below are further instructions to the form preparer and should not appear:

- The plan will be implemented in whole or in part by future earnings from continued operation. See attached Exhibits **[B, C and D as appropriate]** for: a) the Debtor's income and expense projections; b) the assumptions on which such projections are based; and c) a demonstration of how plan payments will be made.
- The plan will be implemented in whole or in part by an infusion of capital, in the form of _____ **[specify whether loan, equity investment of other form]** in the amount of \$ _____ from _____, as specified in paragraph _____ of the plan. Evidence demonstrating that funds will actually be received **[such as the investor's balance sheet or cash reserves, or a letter of credit]** is attached as Exhibit E. **[If the capital infusion will be a loan, repayment terms must be specified in the plan and be included in any attached projections. If this paragraph is applicable, the preceding paragraph regarding income and expense projections usually will be applicable as well.]**
- The plan will be implemented in whole or in part by the liquidation of some or all of the Debtor's assets, as

specified in paragraph ____ of the plan. The following actions have heretofore been taken to sell those assets:

The following actions will be taken to sell the assets during the liquidation:

[Such descriptions should specify the date, time, place and auctioneer for any auction sale, or any brokers or other professionals with which the assets have been listed or will be listed for sale, with the length of any such listing and the listing prices.]

- The plan will be implemented in whole or in part by the surrender of collateral to the creditors holding liens thereon, as specified in paragraph ____ of the plan. The following table states: 1) the fair market values of the collateral to be surrendered; 2) the amounts of liens thereon; and 3) projected deficiencies which will remain owing to such secured creditors.

<u>CREDITOR</u>	<u>COLLATERAL</u>	<u>COLLATERAL</u>	<u>LIEN</u>	<u>AMOUNT</u>	<u>DEFICIENCY</u>
			<u>VALUE</u>		

- The plan will be implemented in whole or in part by the sale of certain assets to _____, as specified in paragraph ____ of the plan. The fair market values of the assets to be sold are as follows:

Refer to Exhibit F for an explanation of the basis for the above values.

For each sale which is not a cash sale, balance sheets and other pertinent information about the financial conditions of the purchasers are attached as Exhibit G.

- The plan will be implemented by the Debtor issuing common or preferred stock, which will be issued to certain creditors as provided in paragraph ____ of the plan.
- Other

Management and Insider's Salaries/Sole Proprietor Compensation

Benefits as well as salaries should be disclosed in this section.

Delete the reference to insider compensation and the accompanying table if the debtor is an individual but disclose the individual's compensation or draw.

Risks

The language inserted in this section should consist of all of the following descriptions which are applicable:

- Operational income and expense projections may prove erroneous.
- Sales of assets may not occur as anticipated.
- The Debtor may be unable to obtain necessary financing.
- Assets may be dissipated by voluntary or involuntary transfers to post-confirmation creditors.
- The Debtor or its principals may be unable to effectuate the plan.
- Other (detail below):

Alternatives

Delete the reference to Chapter 13 in the first paragraph if the debtor is ineligible for Chapter 13.

Delete the reference to the debtor's exemptions in the third paragraph if the debtor is not an individual.

DISCLOSURE STATEMENT EXHIBITS

1. Unless the plan is to be implemented solely by liquidation of assets or the surrender of collateral:

a. The Debtor must complete Exhibit C, showing payments to be made to each class of creditors, by month, for the first three years of the plan.

b. If the Debtor operates a business the Debtor must complete Exhibit D, showing the business' projected cash flow for the current year and the first two years of the plan, together

with the Debtor's cash flow for the preceding year for purposes of comparison.

2. If the Debtor is an individual and the plan will be implemented using the Debtor's future earnings, the Debtor must complete Exhibit B, showing the Debtor's income and expenses for the prior year, and projections for the Debtor's income and expenses for the current year and next year.

3. All projections on Exhibits B or D must show the assumptions on which such projections are based.

C. INSTRUCTIONS REGARDING PLAN OF REORGANIZATION

If there are no creditors in a specified class, the form language regarding that class should be deleted and the paragraphs renumbered,

Section 2.2 should be stricken if the referenced priority claims are treated under subsection 3.2.1. Conversely, if all the creditors entitled to priority under §507(a)(3), (4), (5) and (6) are treated under section 2.2, subsection 3.2.1 should be deleted.

The secured creditor subclasses referenced in section 3.1 should be designated 1a, 1b, etc.

The sale details required in section 3.1.3 should include the offering price, whether or not sales will be negotiated through a broker and if so, the terms of employment, the date by which the property must be sold and the consequences if it is not sold within such time.

Section 3.2.2 may include as an administrative convenience claim those claims which have been reduced by election in writing to a specific sum, if the written election is specified on the voting ballot. If this treatment is proposed the class definition specified in section 3.2.2. must be changed accordingly.

Section 6.1 should specify whether the plan will be funded from future earnings, the infusion of new capital, the liquidation of assets or a combination of the foregoing.

Section 6.2 should be deleted if the debtor is not a corporation.

Section 6.6 should be deleted if there are no retiree benefits.

Id: INSTRUCT.11A